

BILL # HB 2146

TITLE: land use regulation; compensation

SPONSOR: Gray C.

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Eric Jorgensen

FISCAL ANALYSIS

Description

This bill requires the state, or any other governmental entity to compensate a private property owner for any reduction in the value of their property caused by new land use regulations. The bill does exclude certain regulations including health and safety, obscenity, eminent domain, groundwater and various others.

Estimated Impact

The fiscal impact of the bill cannot be determined in advance. This bill would require state spending for any state action that changes land use regulations in such a way that property value is diminished. The cost, however, cannot be determined because JLBC Staff cannot predict what actions might be initiated to limit land uses or the impact those actions would have on property values. The cost would also be dependent on the number of affected land owners that make claims for compensation.

To the degree that this measure would deter actions that lower property values, there could also be state savings associated with maintaining local property taxes. This is accomplished by decreasing the state's share of K-12 education funding, which is related to the amount of local property taxes collections. This savings also cannot be determined, as JLBC Staff cannot estimate how much this measure might deter government entities from taking the described actions.

As with the state estimate, the local cost cannot be determined in advance. Neither the County Supervisors' Association nor the League of Arizona Cities and Towns were able to give a dollar estimates; however, both entities indicated there would be a net cost to local governments.

Analysis

As land use regulations that affect private real property generally occur at the local government level, the state would not likely see a large impact associated with compensating land owners for lost property value. However, nearly any regulation that limited property use could be contested. There would be costs associated with determining the value of the property as well as legal costs should the valuation be contested.

The state could see some level of savings from this measure if it deters regulations that would decrease property value. Property taxes are based on property values and are part of the calculation for state aid to K-12 education funding. Actions that reduce property values ultimately result in decreasing the amount of local funding that goes into K-12 education and increasing the state contribution. This savings depends on the degree to which regulations are deterred by this measure, and therefore, cannot be estimated.

Local Government Impact

As with the state estimate, the exact local cost cannot be determined. Aside from compensation costs, there would also be legal and consulting cost in determining what level of compensation would be appropriate. As with the state, local governments may see some savings by maintaining property taxes. However, the County Supervisors' Association and the League of Arizona Cities and Towns indicate that costs are likely to outweigh the savings.